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THE PROTECTION OF WELL-KNOWN MARKS IN TAIWAN: FROM CASE STUDY TO GENERAL THEORY

*By Kung-Chung Liu**

I. WELL-KNOWN MARKS: FROM FOREIGN INFLUENCE TO DOMESTIC NECESSITY

Although the use of trademarks in China can be traced back over one thousand years (Liu's needle shop with the "white rabbit" mark ca. A.D. 960-1126), a statutory regulation of trademarks was not undertaken until very late in the Qing dynasty, and this only happened due to foreign pressure.¹ In 1904, the British Herd helped draft the "Shang Piao Chu Ts'e Shih Pan Chang Ch'eng," which never took effect.² In 1923, the government promulgated the Trade Mark Act and in 1927 the "Ch'üan Kuo Chu Ts'e Chü Chu Ts'e T'iao Li."³ In 1930, the "New Trade Mark Act,"⁴ which is commonly considered as the first trademark act in the nation's history,⁵ became effective. Given the fact that before 1949 more than half of the registered trademarks were owned by foreigners, it can be concluded that the Trade Mark Act mainly served the needs of foreigners who also enjoyed extraterritoriality. This especially was the case with regard to the protection of well-known marks. In 1949, the Nationalist government of the Republic of China moved to Taiwan.

Starting with its agrarian roots, Taiwan's intellectual property laws afforded only as much protection as limited economic development required and permitted. During Taiwan's early development period, the country had little incentive to afford trademarks broad protection, since "over protection" would restrain free copying. Well-known marks therefore were not protected because their owners were mainly foreigners. The significant intellectual property law reforms in the 1980s would

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1. Ssu-Ch'eng Cheng, "Chih Hui Ts'ai Ch'an Chüan Fa" (Intellectual Property Rights) 86 (Taipei, 1991).

2. Tentative Trade Mark Registration Rules.

3. Act of Registration at the National Registration Bureau.

4. Ssu-Ch'eng Cheng, *supra* note 1 at 87.

5. Christian Gloyer, *Der Schutz bekannter Marken in Taiwan und in der Volksrepublik China*, GRUR Int 1998, 105.

not have taken place but for United States pressure. The crucial turning point occurred when Taiwan realized the political and economic importance of its accession to the GATT/WTO and the basic obligation of the mandate of Article XVI(4), Marrakesh Agreement establishing the World Trade Organization ("WTO").⁶ The economic boom also has made evident the need for better protection of well-known marks owned by local right-holders. Accordingly, the Trade Mark Act was first substantially amended and enacted on December 22, 1993 and amended again in 1997, became effective on November 1, 1998. Shortly thereafter, the Intellectual Property Office (IPO) initiated a comprehensive revision program that continues to this day.

The purpose of this article is to examine the long and winding road that Taiwan has taken in protecting well-known marks and the degree to which protection is actually provided in practice. This article also will consider whether the TRIPs standards have been met and introduce a general theory on the protection of well-known marks.⁷

II. THE EVOLUTION OF THE TRADE MARK LAW: ITS PROVISIONS AND PRACTICES

A. Statutory Provisions

The Trade Mark Act has undergone continuous revisions in the scope of trademark protection and the protection of well-known marks.

1. The 1930 New Trade Mark Act

Section 2(6) of the 1930 New Trade Mark Act prohibited the registration of marks "identical with or similar to 'world-known' marks used on the same goods." Parallel to that, Section 2(4) prohibited the registration of marks which were "likely to impede good morals or public order or to deceive the public." The applicant was required to designate the classifications of goods on which the mark would be used (Section 26). This limited trade-

6. Article XVI(4) requires that "Each Member shall ensure the conformity of its laws, regulations and with its obligations as provided in the annexed Agreements." The General Explanation of the Partial Amendment to the Trade Mark Act, "Compilation of Trade Mark Laws and Regulations," that was compiled by the National Bureau of Standards (transformed into the Intellectual Property Office on January 26, 1999), 1 (1998).

7. The protection of unregistered well-known marks to this day is deemed a violation of the registration principle of trademark law by the renowned scholar Mao Rong Huang, "Kung P'ing Chiao I Fa Chih Li Lun Yü Shih Wu" (Theories and Practices of the Fair Trade Law), 386 (Taipei 1993).

mark protection to the designated goods, which protection was the same afforded to world-known marks.

2. The 1958 Trade Marks Act Amendments

In 1958, the newly-added Section 11(2) expressly provided: "The right of exclusive use of trade marks shall be limited to the registered trade mark and the designated goods." No exceptions were made for world-known marks, except that Section 2(8) of the Trade Mark Act deleted the phrase "used on the same goods" from the original Section 2(6), which theoretically gave owners of world-known marks more leverage to oppose or cancel the registration of a confusingly similar mark.

3. The 1973 Trade Mark Act Revisions

In 1973, the Trade Mark Act was revised to broaden the scope of trademark protection. According to Section 21(2): "The right of exclusive use of trade mark is limited to the registered mark, as well as the designated goods and the goods of the same classification as the designated goods." Section 37(1)(7) stipulated that one of the grounds for refusing a trademark registration application would be where a trademark was identical or similar to a world-known mark and was being used on identical or same class of goods. The wording of Section 37(1)(6) was more explicit than its predecessor and proscribed trademark registration for marks, which were likely to "impede public order or good morals, deceive the public or lead the public to a mistaken belief."⁸

4. The 1983 Trade Mark Act Amendments

In 1983, Section 37 once again was amended. The relevant amendment reads as follows: "An application for trade mark registration is to be denied when . . . (5) it impedes public order or good morals, or (6) it is likely to deceive the public or lead the public to mistaken belief, or (7) a trade mark is identical with or similar to a well-known mark used on the same or same classification of goods [Subsection 1]."⁹ The criteria for identifying well-known marks were to be promulgated by the Ministry of Economic Affairs with the approval of the Executive Yuan (the Cabinet)

8. Which was defined by the Administrative Court (1983, No. 112; 1994, No. 1829) as "against the good order that holds the country and society together, or against the general moral standards of its citizens."

9. The Ministry of Economic Affairs did submit a "Guideline on the Examination of Well-Known Marks" to the Executive Yuan for approval, but did not get approval.

(Subsection 3).¹⁰ Section 62a was incorporated into the Trade Mark Act in order to preserve the international trading image of Taiwan abroad¹¹ and reads as follows: "A person who, with the intention to deceive others, uses a mark identical with or similar to an unregistered foreign well-known mark on the same or same classification of goods shall be punished with imprisonment (maximum three years) and/or a fine not exceeding 90,000 New Taiwan Dollars (Subsection 1)."¹² Section 62(a) required reciprocity for the protections of unregistered foreign well-known trademarks: "The application of the punishment will be conditional upon the same protection afforded to marks registered in the Republic of China by the foreign country in which unregistered marks are well-known according to its law or treaty or agreement signed with the Republic of China. The agreement for mutual protection of marks signed by entities or institutions and certified by the ministry of Economic Affairs have the same effect." The words "well-known marks" replaced "world-known marks" and became the official terms used in the Trade Mark Act. Other than the customary protection afforded by the refusal and cancellation of registration, only unregistered foreign well-known marks were protected by criminal sanctions.

5. The 1993 Trade Mark Act Revisions

Revisions made in 1993 again concerned the scope of trademark protection. This time the scope of protection reversed direction. Section 21(2) narrowed the right of exclusive use of trademarks down to the designated goods, as was the case in 1930. As the Legislature noted:

The classification of goods is mainly for administrative convenience. Although there are goods of closely related nature within the same classification, there are also goods of only remote similarity. Covering a whole class of goods by the right of exclusive use would, besides impeding the registration of trade marks of others, lead to unfair consequences in cases of trade mark infringement.¹³

10. According to the Taiwanese Constitution, political power is separated into five branches or Yuans: (1) the Executive Yuan; (2) the Legislative Yuan; (3) the Judicial Yuan; (4) the Examination Yuan; and (5) the Control Yuan.

11. Legislative Yuan Gazette, No. 4, 32 (January 12, 1983).

12. According to the Taipei Times from October 25, 2000, the current exchange rate for the United States dollar to New Taiwan dollar is approximately 1:32.048.

13. The Amendment of Trade Mark Act and Its Enforcement Rules, compiled by the National Bureau of Standards in 1994 (transformed into the Intellectual Property Office on January 26, 1999), p 18.

A noteworthy exception to this trend is Section 22(2) which added an exception for so-called "defensive trade mark"¹⁴ registration of well-known marks to the related goods requirement because of their higher reputation. More importantly, the Congress believed that the ambiguity of Section 37(1)(6) could lead to disputes and that Section 37(1)(7) obviously provided insufficient protection to well-known marks by limiting protection to the same or same classification of goods. Consequently, these two sections were amended to refuse the registration of marks which are "(6) likely to lead the public to misconceptions or to form a mistaken belief in the nature, quality or the place of origin of the goods, or (7) slavishly plagiarizing marks of others and thereby likely to cause the public to form a mistaken belief." The Ministry of Economic Affairs was no longer authorized to promulgate criteria to identify well-known marks since according to the legislative history, the amendment of Section 37(1)(7) made this unnecessary. Ironically, the words "well-known marks" were deleted from the Act. Actually, with the amendment of Item (7), the Legislature aimed not only at extending the protection of well-known marks beyond the designated goods or classification of goods but also at curbing piracy trademark applications — well-known or not. Section 31 of the Enforcement Rules of the Trade Mark Act, which was promulgated in furtherance of this legislative goal, referred to "an application for registration of a mark which is not self-created but plagiarizes another's mark which is in use, for the purpose of unfair competition, and is likely to lead the public to a mistaken belief." The application of Item (7) is not limited to the case of plagiarizing a well-known mark and using it on the same or similar goods.¹⁵

In the author's view, Item (7) was bound to fail as it erroneously tried both to protect well-known marks and fight against piracy trademark applications. Its enforcement would result in the neglect or even "evaporation" of the protection of well-known marks and the unjustified extension of the scope of protection of ordinary marks to goods which were not similar. It took the Parliament nearly five years to rectify this error. On February 4, 1992, the Fair Trade Law ("FTL") was put into effect, one year

14. Section 22(2) reads both then and now as: "The same person who designates the use of the same trade mark on goods which are not the same or similar (to the goods on which he already uses the trade mark) but are of related nature may apply for registration of a defensive trade mark; provided that the requirement of relatedness between goods shall not apply to well-known trade marks."

15. The decisions of the Administrative Court follow §31 of the Enforcement Rules of the Trade Mark Act word for word. See, eg, Decisions of the Court (1995, No. 85, No. 818, No. 1235).

after its promulgation.¹⁶ Section 20 of the FTL seeks to combat “serious commercial piracy,” which proliferated with the economic boom and escaped regulation at that time. According to the Legislature:

The Trade Mark Act follows the principle of protection upon registration. The punishment for pirating unregistered foreign well-known marks by the Trade Mark Act is therefore inappropriate. The piracy of unregistered foreign well-known marks is one of the unfair competition acts and should be governed by this Law. Section 62a shall be removed from the Trade Mark Act after the enactment of this Law.

Accordingly, Section 62a was deleted by the 1993 amendment of the Trade Mark Act.¹⁷

6. The 1997 Trade Mark Act Revisions

The Legislature grappled with the issue of well-known marks for the sixth time in 1997. With unprecedented reference to international treaties on the topic, legislative reasoning now holds that:

The protection of well-known marks is a declared principle of TRIPs/WTO and of the Paris Convention, and follows the international trend. The current Item (7) does not explicitly mention well-known marks, which can easily lead to misunderstanding.¹⁸

Consequently, Section 37(7) now prohibits:

Using a mark identical with or similar to another person's well-known mark if this is likely to confuse the public,¹⁹

16. The Legislative Purposes and Explanations of the Provisions of the Fair Trade Law, compiled by the Fair Trade Commission in 1996, p. 17.

17. See “Compilation of Trade Mark Laws and Regulations” by the National Bureau of Standards, 1998.

18. Partial Amendment of the Trade Mark Act: General Explanations and Tables of Comparison of Provisions, compiled by the National Bureau of Standards in 1997, p. 8.

19. The National Bureau of Standards used the following criteria in order to determine likelihood of confusion:

- (1) Famousness (is it well-known?);
- (2) Similarity of trademark design;
- (3) Inventiveness of trademark design;
- (4) Extent of similarity of commodity it represents;
- (5) Sales network or sales/display place of commodity;
- (6) Extent of consumer's attention to the class, price and nature of the commodity;
- (7) Facts and period of using the trademark; and
- (8) Other factors sufficient to prove the probability of causing confusion or misidentification on the part of the general consumer.

provided that the applicant has not obtained the consent of the mark owner or his licensee.²⁰

This provision, however, does not apply retroactively in subsequent proceedings of review, as according to Section 40 of the Enforcement Rules of the Trade Mark Act.

For the deterrence of pirate applications of marks, Item (14) was introduced into Section 37 and prohibits:

Using a mark identical with or similar to a mark already used by another person on the same or similar goods, while the applicant is aware of the existence of the mark through contractual, geographical, business interaction or other relationship with the trade mark's owner, provided that the latter's consent was not obtained.²¹

It is very doubtful, however, if the IPO would be in the position to ascertain and verify such relationships during the examination of trademark applications.

The Enforcement Rules of the Trade Mark Act in Section 31(1) define well-known marks as "marks which can be proved by objective evidence to be generally known to the relevant public or consumers," and bases its reasoning on Article 16 of TRIPs.²² In the meantime, the IPO promulgated the "Guidelines on the Examination of Well-Known Marks" on March 9, 1999,²³ and made considerable revisions on August 10, 2000, following "Provisions on the Protection of Well-Known Marks of the World Intellectual Property Organization." Point 2 tries to give clear definitions to some of the following terms:

(1) "Well-known mark" means a mark that is generally known to the relevant public in the substantial parts of this country; (2) "The substantial parts of this country" means that the use of the mark has spread substantially wide in the whole country; (3) "Generally known to the relevant public" means that the mark is known to substantial numbers of the

See Manual of Trademark Examination Procedures (in English) by the National Bureau of Standards, 1994, p. 73. It is generally expected that the IPO will not deviate from these criteria.

20. Id at 8.

21. Id at 10.

22. General Explanation of the Partial Amendment of the Enforcement Rules of the Trade Mark Act, compiled by the IPO in 1999, p. 8.

23. The guidelines are available at the IPO website: www.moeaipo.gov.tw/nb55/tra03q.htm. Prior to the drafting of the Guidelines, the National Bureau of Standards had commissioned the National Chamber of Industries to conduct a research project to study the criteria of well-known marks and to assemble a list of well-known marks. According to that list, there were altogether about 414 well-known marks, 148 of them owned by Taiwanese companies and 266 by foreigners. None of them are unregistered in Taiwan.

public who encounter or may encounter the goods or service on which the mark is used.²⁴

Point 5 provides a checklist for identifying well-known marks: In order to determine well-known marks, the following factors shall be taken into consideration on a case-by-case basis:

- (1) The extent to which the mark is known to relevant public or consumers;
- (2) The duration, extent and geographical area of any use of the work;
- (3) The duration, extent and geographical area of any promotion of the mark, including advertising or publicity and exhibitions at trade fairs;
- (4) The duration, extent and geographical area of any registrations, and/or any applications for registration of the mark, provided that they are sufficient to reflect the degree the mark has been used or known;
- (5) The record of successful rights in the mark, in particular, the extent to which the mark was recognized administratively or judicially as well known;
- (6) The value associated with the mark; and
- (7) Other factors that help to determine well-known marks.²⁵

Point 10 specifies that: "In case of Section 22(2), the time for determining well-known marks is the time when the applicant filed the application for registration of a defensive mark. In case of Section 37(7), the time for determining well-known marks is the time when the other person filed his application for registration."²⁶ However, there is already a considerable time lag between the filing of an application and its examination (an average of over one year). It sometimes takes much less time for a trademark to become well known. Thus, in the case of Section 37(7), the decisive timing for determining whether an unregistered mark is well known should not be the timing of the submission of an application for registration of the junior mark. Point 11 relieves owners of well-known marks of the burden of proof:

Marks that have been proven by concrete evidence and recognized by the IPO to be well-known need not to be proven so within two years since its recognition. However, the IPO

24. Id at 1.

25. Ibid.

26. Id at 2.

may, for the investigation of individual cases, require owners of well-known marks to submit relevant evidence.²⁷

The current statutory provisions of the Taiwanese Trade Mark Act are disappointing because the provisions fail to provide the following:

- (1) Prescribe explicitly that the refusal of registration due to the existence of a senior well-known mark shall be equally applicable to goods that are not similar to those designated by the senior registered well-known mark. This differs from Article 16(3), TRIPs, which extends Article 6bis of the Paris Convention to goods not similar "to those in respect of which a trademark is registered";
- (2) Define the geographical area within which well-known marks must have a reputation in this country, which is mentioned in Article 16(2) of TRIPs and Article 6bis(1) of the Paris Convention;
- (3) Provide registered well-known marks with protection against unfair competition connected and thereby damaged by other marks as mandated by Article 16 (3) of TRIPs;²⁸
- (4) Provide owners of well-known marks with the right to prohibit others from using their marks, which is also mandatory according to Article 16(3) of TRIPs and Article 6bis (1) of the Paris Convention,²⁹ and
- (5) Provide border measures mandated by Section 4, TRIPs.

In a nutshell, Taiwan's trademark law does not yet meet the TRIPs standards with respect to protecting well-known marks.³⁰ Fortunately, the IPO now is proposing an amendment to afford protection to well-known marks to protect against dilution by blurring the distinctiveness and tarnishment of the good will of well-known marks.³¹

The never ending revisions to the Trade Mark Act also lead this author to conclude that Taiwan's legislators oftentimes may

27. Ibid.

28. For details, see Annette Kur, TRIPs and Trademark Law, in: Beier/Schricker, From GATT to TRIPs, 93 (1996).

29. Added to Article 6bis as a result of the Diplomatic Conference for the Revision of the Paris Convention in Lisbon in 1958, see Frederick Mostert, Famous and Well-Known Marks, 133 (1997).

30. Christopher Heath is of the more moderate opinion that Taiwan by and large fulfills its obligation under the TRIPs, Gewerblicher Rechtsschutz in Suedostasien-Ein Ueberblick, GRUR Int 1997, 188 (186).

31. See Su-Fung Chen, H.M. Chang, "Amending the ROC Trade Mark Law" in the proceedings on "The International Conference on the Protection of Trade Marks and Domain Names and the Prevention of Unfair Competition in the Information Age," p I-f-5 (January 6-8, 1999, in Taipei).

not know which trademark measures they wish to enact. In such cases, statutory regulations at best offer guidelines for judges confronting new or different problems far exceeding the legislative intent.

B. Practical Application of the Trade Mark Act

When looking at the judicial decisions of the Administrative Court, the highest court of law in Taiwan, regarding administrative matters (registration of trademarks is an administrative activity), one would be amazed by the inconsistent and poorly-reasoned judgments rendered.³² At best, the Administrative Court has reiterated the precedents,³³ guidelines set by the competent administrative authority, or provisions of the Trade Mark Act. It has made little contribution to the evolution of trademark law. The same can be said of its superior judicial body, the Judicial Yuan, which according to Article 78 of the Constitution, is responsible for the uniform interpretation of laws and regulations. The following is an attempt to define some characteristic precedents from the sometimes contradictory and improvisational decisions.

1. Definition of "World-Known Marks"

From the very beginning, so-called "world-known marks" were never required to actually possess a worldwide reputation. In accordance with Interpretation No 1008 (1933) of the Judicial Yuan, a "world-known mark" was defined as "generally and commonly known in the area where the application for trademark registration is filed."³⁴ This meant that it did not even have to be well-known in the whole of Republic of China. Thirty-seven years later, the Council of the Grand Justices of the Judicial Yuan redefined the meaning of world-known marks and came up with a higher standard: "generally and commonly known within the boundaries of the Republic of China."³⁵ Both interpretations lacked a reasoned-based definition.

32. The judicial decisions or interpretations are available online at the website of the Judicial Yuan: www.judicial.gov.tw.

33. According to §57 Court Organization Act, the Supreme Court (including The Administrative Court) can choose from the cases adjudicated by it the representative ones and, after reporting them to the Judicial Yuan, make them "precedents" which are then binding on the lower courts.

34. Interpretation No. 1008, Judicial Yuan (1933).

35. Interpretation No. 104, Council of the Grand Justices, Judicial Yuan (1970).

2. "To Deceive the Public"

Interpretations No. 1611 (1937) and No. 1801 (1938) of the Judiciary Judicial are likewise categorical. These interpretations were followed by a subsequent decision of the Administrative Court.³⁶ The concept of a registered trademark with a long-standing good reputation was then created. The protection from confusion afforded to such a trademark was later expanded to include not only the source of manufacture of goods, but also the source of production, treatment, purchase, wholesale sales and agency for goods.³⁷ However, after the 1993 amendment eliminated the "to deceive the public" requirement, no Administrative Court decisions have ever applied this concept to cases that were brought after the amendment.³⁸

3. "To Lead the Public to a Mistaken Belief"

The addition of the words "to lead to a mistaken belief" into Section 37(1)(6) in 1972 opened up a totally new dimension of trademark protection. As stated by the Administrative Court, it means that

A trade mark is likely to lead to a mistaken belief regarding the nature, quality or the place of origin of the goods on which the trade mark is used, or the identity of manufacture, production, treatment, selection, wholesale or agency. And it is not limited to plagiarizing another person's registered trade mark with a long-standing good reputation by using it on identical or similar classification of goods.³⁹

36. Decision of the Administrative Court (1968, No. 219). The decision holds that the words "to deceive the public" (which existed from 1930 to 1993 in the Trade Mark Act) mean "to slavishly plagiarize another person's registered trade mark which enjoys a good reputation for a long time (su chu sneng yü), to use it on goods, which are not the same (as that of the plagiarized trade mark) yet of same or similar nature, and to cause the public to buy, while mistaking the goods for that manufactured under the registered trade mark." Ibid.

37. See, eg, Decisions of the Administrative Court (1983, No. 638; 1993, No. 36).

38. Section 62 of the Trade Mark Act now provides:

Any person who commits any of the following acts with the intent to defraud others shall be punished with imprisonment for not more than three years, detention and/or a fine not exceeding NT\$ 200,000:

1. Using a sign or indication which is identical with or similar to another person's registered trade mark on the same or similar goods, or
2. Adding a design or indication which is identical with or similar to another person's registered trade mark design to advertisements, labels, descriptive literature, price lists or other documents of the same or similar goods and displaying or circulating such materials.

39. See, eg, Decisions of the Administrative Court (1983, No. 241, No. 306, No. 311; 1986, No. 24, No. 1379).

The Administrative Court goes further to say that "using another's well-known trade mark and causing confusion is one of the acts that lead to a mistaken belief" and blurred the distinction to Section 37(1)(7).⁴⁰ In order to apply the "to lead to a mistaken belief" provision, the Administrative Court does not require that the plagiarized mark be registered in this country so long as it possesses a certain reputation or that its reputation and the quality of the goods are familiar to general buyers.⁴¹

Since the 1993 amendment, Section 37 (1)(6) has limited "a mistaken belief" to confusion concerning the objective elements of the goods such as nature, quality or place of origin and can no longer "arise from confusion" arising from subjective criteria, namely the relationship between the sources of goods. In this way, the proper analytical concept has been embraced. In summary, the judiciary in Taiwan has played a minimal role in the shaping of the trademark law governing the protection of well-known marks. It is doubtful that this trend will change in the future.

III. THE FAIR TRADE LAW

Professor Cornish has observed that historically, unfair competition laws supplement trademark laws by suppressing passing off and similar types of consumer confusion.⁴² Such is the case with respect to Section 20 of the FTL⁴³ concerning the

40. See, eg, Decisions of the Administrative Court (1983, No. 220, No. 638; 1993, No. 1238).

41. See, eg, Decisions of the Administrative Court (1983, No. 290, No. 513; 1986, No. 18; 1994, No. 724; 1996, No. 623). We must not forget that there are many decisions of the Administrative Court which have applied the terms "to deceive the public" and "to lead to a mistaken belief" interchangeably. See, eg, Decisions of the Administrative Court (1983, No. 403; 1988, No. 1611, No. 1962).

42. W.R. Cornish, *The International Relations of Intellectual Property*, 52 Cambridge Law Journal 46-63 (53) (1993).

43. Section 20 reads as:

- (1) An undertaking shall not commit any of the following acts with respect to the goods or services provided by its business operation:
 1. to use in an identical or similar manner the personal name of another, the name of a business establishment, a corporate name, trade mark, product container package, external appearance or other symbol signifying the goods of another person that is commonly known to the relevant undertaking or consumer, which causes confusion with goods of another; or to sell, transport, export or import goods bearing such symbol;
 2. to use in an identical or similar manner the name of another person, the name of a business establishment, a corporate name or other symbol signifying the business or service of another person that is commonly known to the relevant undertaking or consumer, which causes confusion with the facilities or activities of the business or service of another; or
 3. to use on same or same classification of goods trade mark identical or similar to a unregistered well-known foreign trade mark, or to sell, transport, export or import goods bearing such trade mark.

protection of well-known marks.

A. Section 20 of the FTL

1. Viewpoint and Practice of the Federal Trade Commission ("FTC")

The FTC has issued a publication entitled "Principles for Handling Cases Governed by Section 20 of the Fair Trade Law" which provides:

II. The term "relevant undertaking or consumer" . . . refers to parties that may be involved in the sale or purchase of the goods or services or in other forms of transactions involving such goods or services.

III. The expression "commonly known to the relevant undertaking or consumer" . . . means considerably well known and known to most members of the relevant undertaking or consumer.

* * *

VI. The term "confusion" . . . means an erroneous recognition of, or an erroneous belief in, the source of goods or services.⁴⁴

The cases where the FTC has held that a symbol is "commonly known to the relevant undertaking or consumer" are not particularly common. Examples include "Nao Ging Gie Tsang Oan" (title of a local quiz book);⁴⁵ "Chung-Hua Pin Shih" (trade

(2) The provisions of the preceding subsection are not applicable to the following situations:

1. use in an ordinary manner of the generic name customarily associated with the goods themselves or of a symbol customarily used in the trading of similar goods, or the sale, transport, export or import of the goods bearing the said name or symbol;
2. use in an ordinary manner of a name or other symbol customarily used in trading for similar business or services;
3. use of one's own name in good faith or the sale, transport, export or import of goods bearing the said name; or
4. use in good faith of a symbol identical or similar to the symbol referred to in 1 and 2 of the preceding subsection, before such symbol becomes commonly known to the relevant undertaking or consumer, or use of the said symbol in conjunction with the transfer of business from the good-faith user, or the sale, transport, export or import of goods bearing such symbol.

(3) Where the business, goods, facilities or activities of an undertaking is likely to suffer damage or confusion as a result of the act of another undertaking as set forth in Item 3 or 4 of the preceding subsection, such other undertaking may be requested to affix an appropriate symbol, unless the other undertaking acts only as a transporter of such goods.

44. Reprinted at the FTC's website under <www.ftc.gov.tw/ftcpri6.htm>.

45. FTC Decision of July 8, 1992; Disposition (81) Kung Ch'u Tzu 007, 1 FTC Gazette, No. 6, 1 (1992).

name of the sales agency for Mercedes Benz);⁴⁶ "Yamaha"; "Sigma"; "Hao Mai"; "San Yang" (registered trademarks for motor oil);⁴⁷ "Honda," "Civic," "Accord," "H" (registered trademarks of a car maker);⁴⁸ MUNSINGWEAR plus penguin symbol (registered trademark of an American clothes maker);⁴⁹ GUINNESS (registered trademark of a British publishing house);⁵⁰ "Yeh Shih" (registered trademark of a local producer of mineral water); "Louis Vuitton" (registered trademark of a French leather goods maker);⁵¹ LITTLE BOBDOG (registered trademark of a Japanese manufacturer of writing equipment, presents, etc.);⁵² "Batman" (registered trademark of an American movie company);⁵³ AVNET (registered trademark of an American electronics manufacturer);⁵⁴ and "Pai Jin Lung" (label and bottle of a local spirit maker).⁵⁵

While the FTC does not limit Section 20 to the case of similar goods or services, no violation may be found either due to a lack of confusion or the absence of a competitive relationship between the parties. No protection against dilution is afforded in the wording or in the legislative history of Section 20 of the FTL. The FTC has stated in Point 16 of its "Principles for Handling Cases Governed by Section 20 of the Fair Trade Law" that it will apply the general clause of the FTL, Section 24, instead of Section 20 when an infringer does one of the following:

- a. slavishly plagiarizes well-known symbols of another's goods or services and actively exploits the reputation of another's good will, even though no confusion was caused, or copies the external appearance of another's goods, or

46. FTC Decision of March 17, 1995; Disposition (84) Kung Ch'u Tzu 029, 4 FTC Gazette, No. 3, 26 (1995).

47. FTC Decision of April 14, 1995; Disposition (84) Kung Ch'u Tzu 038, 4 FTC Gazette, No. 4, 13 (1995).

48. FTC Decision of September 25, 1995; Disposition (84) Kung Ch'u Tzu 119, 4 FTC Gazette, No. 9, 56 (1995).

49. FTC Decision of April 1, 1996; Disposition (85) Kung Ch'u Tzu 044, 5 FTC Gazette, No. 4, 7 (1996).

50. FTC Decision of April 23, 1997; Disposition (86) Kung Ch'u Tzu 049, 6 FTC Gazette, No. 4, 41 (1997).

51. FTC Decision of December 30, 1997; Disposition (86) Kung Ch'u Tzu 230, 6 FTC Gazette, No. 12, 53 (1997).

52. FTC Decision of January 15, 1998; Disposition (87) Kung Ch'u Tzu 016, 7 FTC Gazette, No. 1, 47 (1998).

53. FTC Decision of April 22, 1998; Disposition (87) Kung Ch'u Tzu 091, 7 FTC Gazette, No. 4, 31 (1998).

54. FTC Decision of April 29, 1998; Disposition (87) Kung Ch'u Tzu 097, 7 FTC Gazette, No. 4, 84 (1998).

55. FTC Decision of July 30, 1998; Disposition (87) Kung Ch'u Tzu 163, 7 FTC Gazette, No. 7, 83 (1998).

- b. services, thereby actively exploiting the fruits of another's labor and causing unfair competition to competitors and likelihood of affecting the trading order.⁵⁶

2. Axiomatic and Creative Redefinition of Section 20

Section 20 was introduced into the FTL to prevent "what the current laws cannot regulate and what is harmful to fair competition."⁵⁷ Both then and now, Taiwanese Trade Mark Act has two major defects, namely a very narrow scope of "trademarkable" symbols,⁵⁸ and a very limited number of remedies against the infringement of unregistered well-known marks (actually, only opposition to and cancellation of the registration of the junior mark). The Civil Code (Section 19), Commercial Registration Code (Section 28) and the Company Code (Section 18) were and still are not effective in dealing with the piracy of names, trade names and company names because: (1) it is arguable whether a legal person enjoys moral rights to a name; and (2) the exclusivity afforded is limited to either a locality or a certain type of company and no criminal sanctions are available. With such poor protections at hand, the high increase in piracy was not effectively thwarted. That is why Section 20 of the FTL was enacted.⁵⁹ As this author has noted elsewhere, Section 20 of the FTL could not be logically and consistently enforced without being redefined as follows:⁶⁰

56. The following English version of the said Principles does not accurately translate the original text:

Where the following situations do not constitute the essential conditions stated in Article 20 of the Fair Trade Law, they shall be handled as violations of Article 24 of the Fair Trade Law:

1. Imitation of the symbols of goods or services provided by others which, albeit confusion is not yet caused, constitutes an attempt to benefit from the corporate reputation of others; or
2. Imitation of the symbols of goods or services provided by others which being an attempt to exploit the fruits of the hard work of others, is obviously an unfair act against competitors that is sufficient to affect transaction order.

Where the external appearance of commodities is derived from technology that is freely available to the public, the principles stated herein shall not apply.

57. The Legislative Purposes and Explanations of the Provisions of the FTL, compiled by FTC in 1996, p 17.

58. According to the latest amendment (§5(1)), only "words, drawings, symbols, combinations of colors or combinations thereof" can be registered as a trademark.

59. It is legitimate and interesting to ask why the Congress did not just amend the Trade Mark Act. The reason this author can think of is that at the time the idea of §20 was introduced into the second draft of the FTL in 1985, §16 of the German Law against Unfair Competition (UWG, then still in effect) was taken by us for a model and copied into the FTL.

60. Kung-Chung Liu, Unfair Competition Law in Taiwan, 30 International Review of Industrial Property and Copyright Law 4, 377-402 (391) (1999).

- (1) Section 20 of the FTL is concerned with confusion arising from the subjective elements of the goods or services, such as their origins.⁶¹ Moreover, confusion about the relationship between the parties should be dealt with as it is under trademark law. However as mentioned above, the FTC defines the term "confusion" only as an erroneous recognition of or belief in the source of goods or services. Such a definition is obviously too narrow as it covers only a small part of the confusion which might occur to the relevant public, and thereby excludes the so-called "confusion in the broader sense" (*Verwechslungsgefahr im weitern Sinne*) which has been long recognized by German trademark practices (both before and after the 1994 new Trade Mark Act).⁶² If Section 20 of the FTL is to supplement the Trade Mark Act, as it supposed to do, the scope of confusion should be enlarged more than it is presently recognized by the FTC.
- (2) The term "well-known" of Section 20(1)(3) of the FTL and "well-known" of Section 37(7) of the Trade Mark Act should have the same meaning, as it is hard to believe that the Congress would want to discriminate against unregistered well-known foreign marks by using terms of protection that have different meanings, given the threat of trade retaliation by the United States.
- (3) The term "commonly known to the relevant undertaking or consumer" of Section 20(1)(1), (2) shall be limited to symbols, which are extremely well known for the following reasons:⁶³

61. According to legislative reasoning, which is more correct and therefore more convincing than the actual wording of the text, an undertaking may not do the following:

- (1) Confuse people about the origin of the goods, in other words, it may not pirate the symbol of another's goods;
- (2) Confuse people about the origin of business or services, in other words, it may not pirate the symbol of another's business or services; or
- (3) Pirate unregistered foreign well-known marks, or to sell, transport, export or import pirated goods.

62. "Confusion in the broader sense" means that the relevant public is although not mistaken about the fact that there is no identity or unity between the undertakings which use conflicting marks, yet misled to the belief that there is certain legal, organizational or managerial relationship. See Berlit, *Das neue Markenrecht*, 2. Aufl., Rdnr. 172 (1997).

63. This is also the case in Germany. See Henning Piper, *Der Schutz bekannter Marken*, GRUR 1996, 429. Ming-Yang Hsieh is of the opinion that, "commonly known to the relevant undertaking or consumer" has the same meaning as "well-known." See Ts'ung Shang Piao Fa Y · Ching Cheng Fa Chih Kuan Tien Lun Chu Ming Piao Chang Chih Pao Hu (Study on the Protection of Famous Trade Marks from the Viewpoint of Trade Mark Law and Competition Law), 25 Fa Hs-eh Lun Ch'ung, No. 3, 308 (1996). Although Christian Gloyer is opposed to an equation of the two terms, he could not explain how they

- a. The protection provided by Section 20 of the FTL must remain supplementary in order to avoid double regulation by two different authorities, the result of which could be that the Fair Trade Commission disagrees with or even overrules the IPO on trade mark matters. Supplementary application of Section 20 of the FTL can also avoid the hollowing out of the Trade Mark Act, because the FTL contains triple damages and provides the FTC with multiple discretionary measures and will therefore be more often resorted to than the Trade Mark Act.
 - b. Intervention by the FTC with regard to private disputes is only justifiable when the symbol in question is of the highest reputation, and the public interest is therefore more likely at stake and better protection is demanded, including protection offered by FTC.
- (4) Although Sections 20(1)(1) and (2) do not contain the limiting language "the same or same class of goods," as Section 20(1)(3) of the FTL does, there should be no such limitations. In the case of the former two subsections, the limitation would contradict the primary mission to fight piracy, which frequently occurs with dissimilar goods. For the latter, it would mean discrimination.
 - (5) There is no need to specifically mention the protection of unregistered well-known marks. Section 20(1)(3) of the FTL is redundant and should be deleted.⁶⁴
 - (6) In the long term, Section 20 of the FTL as a whole should be incorporated into the Trade Mark Act, following the German example in 1995.

*B. Section 24*⁶⁵

The FTC has further issued "Principles Governing the Application of Section 24 of the Fair Trade Law," which also

were different. See *Der Schutz bekannter Marken in Taiwan und in der Volksrepublik China*, GRUR Int 105, 107 (1998).

64. Concurrent Shieh, *id* at 311.

65. Which reads as: "In addition to what has been provided for in this law, an undertaking shall not conduct any other deceptive or obviously unfair act that is likely to affect the trading order."

prohibit activities which are unacceptable according to business ethics.⁶⁶

It is unpleasant to point out that the FTC has never alluded to the Trade Mark Act, and the IPO never the FTL, which could realistically give the wrong impression that the FTL and the Trade Mark Act have nothing to do with each other. In fact, there had been an agreement between the FTC and the Ministry of Economic Affairs concerning the separation of jurisdiction between the FTC and IPO. According to this agreement, the IPO was responsible for cases involving registered trademarks and patents, and the FTC for cases involving unregistered marks and unpatented intellectual property. However, this agreement is no longer in existence. It also should be pointed out that in a case that involved a local trademark of the highest reputation, the FTC indicated that confusion of even thirty-four percent of consumers was not enough for Section 20 of the FTL to be applied. This decision is incorrect.⁶⁷

C. Remedies Under the FTL

Violation of Section 20 of the FTL may give rise to one of three types of remedies: civil, administrative, and criminal. Civil remedies include the right to petition to prevent and eliminate infringement as well as the right to compensation for damages, in

66. These include, inter alia:

1. Exploitation of other people's work: Exploiting the fruits of other people's work violates business competition and constitutes unfair competition. Judgment as to whether exploitation of other people's work constitutes a violation of law should be based on an assessment of its benefits to the general public and the harm it does to the exploited parties and competition order. The degree to which the means employed by the exploiters are improper, whether the exploited parties are famous, and other factors, also should be taken into account. Following are more typical types of exploitation of the work of others:
 - a. taking advantage of the reputation of others;
 - b. taking advantage of the famous advertisement of others;
 - c. improperly imitating the external appearance or symbol of other people's commodities or services (Section 20 of the Fair Trade Law shall govern if it is applicable); and
 - d. taking advantage of other people's work or investment in advertising or marketing to promote one's own commodities (for example, in parallel importation of original goods, an importer attempts, by working on the contents of commodities, sources of origin, company names, and addresses, to cause a misbelieve in consumers that the parallel imports are commodities imported by agents authorized by the manufacturers).

Reprinted at the FTC's website under <www.ftc.gov.tw/efcpr18.htm>.

67. In "Black Men" Tooth Paste v. White Men Tooth Paste, see letter from the FTC (on April 21, 1998, Kung-San Tzu Ti 8601261-009 Hao) to the owner of the mark "Black Men," How-Je Industry Co. In general, survey results that evidence a likelihood of confusion of 10-15 percent of the consumers is sufficient. See Kung-Chung Liu, Likelihood of Confusion According to the Trade Mark Act, 132 (Taipei, 1997).

cases of intentional violation to a maximum of triple damages.⁶⁸ The FTC is empowered by Section 41 to order the cessation, correction or remediation within a designated time limit, and to impose a fine between NT\$ 50,000 and NT\$ 25 million. Failure to comply with the order, or commitment of the same or similar violation after complying with the cease and desist order, could result in further orders and successive monetary fines of between NT\$ 100,000 and NT\$ 50 million until the violation has ceased, is corrected, or measures taken. Criminal punishment can also be imposed if the aforementioned administrative measures are not sufficient: imprisonment for not more than three years, detention and/or a fine not exceeding NT\$ 100 million.⁶⁹ Violation of Section 24 FTL will lead to the same civil and administrative remedies.

In practice, civil law suits against unfair trade practices are rarely filed simply because the efficiency and professional ability of the judicial system has not won the trust of the general public. Damage claims are time-barred by Section 33 of the FTL after two years from first notice of the violation or ten years from the commitment of such a violation.

IV. REMEDIES UNDER THE TAIWANESE CIVIL CODE

Notwithstanding that the FTL and the Trade Mark Act do not generally exclude application of Section 184(1) of the Taiwanese Civil Code,⁷⁰ the general tort provision, and despite the fact that it was once successfully invoked against acts infringing on a well-known container of correction fluid before the enactment of the FTL,⁷¹ it remains only a theoretical possibility that Section 184(1)

68. Sections 30-33, FTL.

69. Section 35, FTL.

70. Section 184(1) of the Taiwanese Civil Code provides that: "Any person who intentionally or negligently inflicts harm to another's right without legal cause, shall compensate the damages therefrom; The same applies to any person who intentionally by means contrary to good customs inflicts damage on another."

71. In that case, a Taiwanese enterprise sold correction fluid in bottles which bore the trademark "Enjoy" and closely resembled those of the well-known Japanese competitor "Pentel." While the "Pentel" had not applied for design patent protection for its bottles, the Supreme Court still found that the container and package were the most obvious symbol for judging whether the goods in question are the same, and reversed a finding by the High Court that no likelihood of confusion existed simply because one bore "Pentel" and the other bore "Enjoy" and remanded the case to the High Court for reconsideration. The High Court came out with an encouraging decision: "That the appellant slavishly plagiarized the product of the appellee and caused consumers the likelihood of serious confusion, violates obviously the normal commercial order of competition, breaks ethical customs of commerce and inflicts intentionally a damage to the sales of products of the appellee and constitutes thereby a contravention of Section 184(1) of the Civil Code." Supreme Court Civil Decision, 1988, No. 2579. High Court Civil Decision, 1989, Retrial No. 35, cited from Min-Sheng Lin,

could also provide some remedy against infringement of well-known marks independent of the Trade Mark Act or the FTL.

V. TOWARD A GENERAL THEORY ON THE PROTECTION OF WELL-KNOWN MARKS

A. The Concept of "Well-Known Marks"

Since first appearing in the 1925 Paris Convention, the term "well-known marks" has been a legal concept that requires interpretation by the administrative or judicial authorities of the country in which protection is sought. Neither the mark's scope nor reputation can be quantitatively evaluated in the abstract. Such analysis must be decided by the competent authorities according to their judicial and trademark philosophy. If they treat it as a special exception to the law of trademarks (e.g., protection upon registration or a principle of specialty), they will naturally require a higher reputation, so that the normal trademark law rules will not be stretched unnecessarily through the recognition of well-known marks. In contrast, if they place greater value on the protection against consumer confusion as well as protection of the prior user against unfair competition, then they would probably not require the reputation of a mark to be exaggerated. The Provisions on the Protection of Well-Known Marks of 1999 by the WIPO adopts this latter view by stating that "where a mark is determined to be known in at least one relevant sector of the public in a Member State, the mark may be considered by the Member State to be a well-known mark."⁷²

Falling between these two extreme positions, the European and German trademark laws protect "a [registered] trade mark with a reputation" against all third parties not having consent from its owner and using in the course of trade any sign which is identical with, or similar to it in relation to goods or services which are not similar to those for which it is registered, where the use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the sign.⁷³ In the case *General Motors Corporation v. Yplon*

Pu Cheng Ching Cheng Fa Li Chih Shih Yung Tsai Wo Kuo Fa Chih Nei Ch'eng Chang Cho Chuang (The Application of Unfair Competition Law Principles in Our Country's Legal System Begins to Boom), 130 LShih T'ung Hs'n (1980), 51.

72. The Provisions on the Protection of Well-Known Marks of 1999 (WIPO 1999). The full text is available at the WIPO website: <www.wipo.org.int/eng/main.htm>.

73. See Article 5(2) of the First Council Directive to approximate the laws of the member relating to trademark of the EU; Article 9(1)3 of the German Trade Mark Act. Both provisions are available at Karl-Heinz Fezer *Makenrecht*, 3, 1975 (1997).

S.A.,⁷⁴ the European Court of Justice has stated that there is “a knowledge threshold requirement” for “a [registered] trade mark with a reputation” implying that a mark does not necessarily need to be well-known. It is indeed conceivable that a registered mark, although not yet well-known, could still require protection in relation to goods or services which are not similar to those for which it is registered. The line drawn by the European Union and Germany therefore is convincing.

B. Breaking Away From Registration and Use of Marks

Neither the Paris Convention nor TRIPs requires that well-known marks be registered or used in the country where protection is sought. The WIPO provisions go one step further by prohibiting a Member State from requiring that well-known marks be used, registered or subject to a registration application.⁷⁵ Perhaps in ignorance thereof, the IPO’s “Guidelines on the Examination of Well-Known Marks” still stated in Point 2(1) that the use of the mark must be throughout the substantial part of the whole country.

C. The Scope of Protection for Well-Known Marks

Compared to other intellectual property laws, trademark law is unique in terms of its flexibility toward the scope of protection. Consequently, as the reputation of the trademark grows, the need for protection of well-known marks against infringement also increases. The need for protection depends on whether there is a likelihood of consumer confusion or unfair competition. Therefore, protection should neither be limited to cases of confusion involving the same goods or same class of goods or related goods or services. Rather, the danger of diluting the distinctiveness and good will of well-known marks also has to be taken into account.

D. The Components of a Well-Known Mark

In a civil law country such as Taiwan, a well-known mark can be composed of elements, not limited to “trademarkable” symbols. The limitation of the trademark protection originally had its roots in its inadequacy to register symbols which, due to improvements

74. Case C-395/97 (September 14, 1999) (the decision is available at <<http://curia.eu.int/jurisp/cgi-bin/get5d doc>>).

75. The Provisions on the Protection of Well-Known Marks of 1999 (WIPO 1999), Article 2(3)(a)(i).

of technology, has been generally remedied. It is now a worldwide trend to broaden the list of trademarkable symbols. For example, in spite of the fact that three-dimensional marks and individual colors are not listed in Article 15(1) of the TRIPs as trademarkable, it is nevertheless possible to have them registered as marks if they are capable of distinguishing the goods or services of one undertaking from those of another.⁷⁶ The same is to be applied to the Trade Mark Act of Taiwan, so that trade dress, including of course three-dimensional marks and individual colors, melodies and even scents, will be protected under the concept of well-known marks.

***E. Well-Known Marks Cannot Be Required
to Be Always Known to Public at Large
and Throughout the Country Concerned***

To whom and where goods or services are sold or provided varies according to the nature and prices of goods or services at issue. Consequently, a well-known mark cannot be required as a matter of principle to have fame among the public at large and throughout the nation. A wide consensus already exists on this issue. Nevertheless, the WIPO provisions emphasize that, where a mark is well known in at least one relevant sector of the public, the mark shall be considered by the Member State to be a well-known mark. Furthermore, a Member State shall not require that the mark is well known by the public at large in that Member State.⁷⁷ In light of this principle, Interpretation No. 104 by the Council of the Grand Justices of the Judiciary Yuan defining the so-called "world-known" marks as "generally and commonly known within the boundaries of the Republic of China," may seem to be defective.⁷⁸

F. Protection Against Conflicting Domain Names

With the rapid growth and proliferation of domain names in e-commerce, well-known marks are being preyed by a new form of infringement called "cybersquatting." A cybersquatter tends to register a large number of well-known trademarks as domain names with the intention of selling them back to the intellectual property owners. In order to reclaim the domain names which feature their marks, the owners of the marks are usually willing

76. Karl-Heinz Fezer, *Markenrecht*, Rdnr. 18, *Int MarkenR* (1997).

77. The Provisions on the Protection of Well-Known Marks of 1999 (WIPO 1999), Article 2(2)(b), 2(3)(iii).

78. See *supra* note 35.

to pay “ransoms” to buy back the domain names. It is obvious that well-known marks need effective protection against piracy registration of their marks as domain names. According to Article 6 of the WIPO provisions, well-known marks shall be protected against conflicting domain names, which constitute a reproduction, an imitation, translation, or a transliteration of well-known marks and have been registered or used in bad faith. The owner of the well-known mark shall be entitled to request, by a decision of the competent authority, the cancellation or even the transfer of the conflicting domain name.

VI. CONCLUSION

The protection of well-known trademarks in Taiwan was first the result of pressure from United States trademark proprietors. Following intellectual property reforms in the 1980s and Taiwan's accession to GATT and the WTO, Taiwan took a great step toward recognizing the need for protecting well-known trademarks with the amendment and enactment of the Trade Mark Act in 1993. Since that time, further revisions have been initiated by the Intellectual Property Office but Taiwan's trademark law still does not meet the TRIPs standards for protecting well-known trademarks. A review of judicial decisions of the Administrative Court and the Judicial Yuan also reveal conflicting and confusing precedents regarding well-known trademarks. Despite the additional remedies provided by the Fair Trade Law and the Taiwanese Civil Code, in order to best protect trademark holders in the new millennium, Taiwan needs to proceed toward amendment of the Trade Mark Act to recognize protections for well-known trademarks consistent with The Provisions on the Protection of Well-Known Marks of 1999 published by WIPO.
